



## DID YOU KNOW . . .

**. . . that schools may provide *computer assisted entrance counseling* as an alternative to in-person counseling sessions?**

Computer assisted counseling is an option as long as specific conditions are met:

- An individual with knowledge of Title IV student financial assistance programs (including the Direct Loan program) must be readily available to answer questions the same day or the next day after a borrower has completed the counseling program. Schools may allow borrowers to submit questions by e-mail or telephone.
- Before disbursing any loan proceeds, the school must be able to document that a borrower has completed the entrance counseling session.
- The information given to a borrower during the counseling session must meet the applicable regulatory requirements.
- Schools that offer computer-assisted entrance counseling are encouraged to provide borrowers with written materials as a supplement to the counseling session.

**. . . that a borrower may sign a *Direct Loan promissory note* after the loan period has ended?**

However, the school must --

- originate the loan while the borrower is enrolled and eligible,
- have a signed promissory note prior to disbursing funds, and
- make any late disbursement within 90 days after the end of the loan period

*Continued on Page 2*

## JOIN ED STAFF AT THE NASFAA CONFERENCE IN CHICAGO, JULY 14-18, 1998

Diane E. Rogers, Acting Deputy Assistant Secretary for Student Financial Assistance Programs (SFAP), and other senior SFA staff will provide an SFA update during the NASFAA general session on Wednesday, July 15, from 1:00 to 2:30 pm. The session will provide a general update on program activities and new initiatives including plans for the new performance based organization (PBO). Policy and systems plans for the 1999-2000 award year and beyond will also be discussed.

Plan also to attend two Direct Loan Program sessions on Thursday, July 16, 1998, that will provide helpful information about policy and program administration. Check the Conference schedule for times and locations.

***Understanding the Direct Loan Systems Architecture.*** This session will provide an overview of when, where, and how data is moved among the various Direct Loan and other Department of Education systems. Dan Hayward, Director of the Federal Direct Student Loan Systems Division, will present and discuss the relationships among the Direct Loan Origination Center, NSLDS, Central Data Systems CPS, and other systems. You will gain a better understanding of how and when data is transmitted and applied.

***Exit Counseling: Going Into Repayment -- Are Direct Loan Students Prepared?*** This session will be presented by Dottie Kingsley, Chief of Direct Loan Policy, and Sue Szabo of the Direct Loan Servicing Center in Utica, New York. ED panelists will discuss exit materials that are available to schools and borrowers. Panelists from several Direct Loan schools will discuss the procedures they use for exit counseling, including the use of delinquency reports, and

other information, to assist borrowers with loan repayment.■

## Reminder: 1995-96 and 1996-97 Program Year Close Out Deadline Is Near

As published in Direct Loan Bulletin 98-14, schools must submit all 1995-96 and 1997-98 loan origination records, promissory notes, and disbursement transactions to the Direct Loan Origination Center (LOC) by the July 31, 1998 processing deadline. Submitted disbursement records should account for all drawdowns, less returns of excess cash, for 1995-96 and 1996-97 loans. Your school should have an ending cash balance of zero for those years if all 1995-96 and 1996-97 loan records are submitted to the LOC by July 31, 1998.

At the end of April 1998, all schools received the 732-LOS file from the Loan Origination Center. This file established an official ending cash balance for the 1995-96 and 1996-97 Direct Loan Program years for each school. In May 1998, schools began receiving weekly 732-LOS-C files for each week of additional 1995-96 and/or 1996-97 loan or cash activity since the last 732-LOS processing date. The weekly 732-LOS-C updates each school's ending cash balance to reflect the additional activity. *Schools should be addressing their current outstanding cash balance and working to resolve it as quickly as possible prior to the July 31, 1998, deadline as the LOC will no longer accept or process information relating to the 1995-1996 and 1996-1997 program years after that date.*

**We encourage you to take advantage of all ED resources to help you with close out ---**

For those schools that have ending cash balances other than zero as of their latest 732-LOS-C, the Department has a number of resources available to assist you in successfully closing out the 1995-96 and 1996-97 Direct Loan Program Years.

To assist you in resolving processing problems and correcting any discrepancies found in your 732-LOS reports, contact your Loan Origination Center Customer Service Representative at (800) 848-0978.

Your regional Direct Loan Account Manager can assist you in reviewing your 732-LOS reports to identify discrepancies or additional loan records that need to be submitted to the LOC.

Direct Loan Bulletin 98-14 also provides more details, and many helpful hints about program year close out.

If you have any questions concerning your 732-LOS ending cash balance or other questions concerning your institution's ability to successfully close the 1995-96 and 1996-97 Direct Loan Program years, you may also contact the Department's Accounting and Financial Management Service at (202) 205-6466.■

### **FYI --**

**Direct Loan Schools may draw down funds through the Grant Administration and Payment System (GAPS) for 1997-98 Award Year loans until the close out of the 1997-98 Award Year, July 31, 1998**

### **Did you know. . .**

**. . .that a school may not have a policy that prohibits otherwise eligible dependent undergraduates from receiving "additional" unsubsidized loan funds if their parents are determined to be ineligible for Direct PLUS Loan?**

Both the Higher Education Act of 1965, as amended, and the Direct Loan Program regulations provide

that dependent students whose parents are ineligible for Direct PLUS Loans may borrow additional Direct Unsubsidized amounts at the higher annual loan limits normally available only to independent undergraduates.

A school, however, may refuse to originate a Direct Loan or reduce a borrower's determination of need for the loan if the school documents the

reason for the action and provides it to the student in writing, makes the determination on a case-by-case basis,

retains documentation that supports the determination in the student's file, and does not engage in any pattern or practice that denies access to Direct Loans because of a borrower's race, gender, color, religion, national origin, age, disability status, or income.■

## **POLICY UPDATE**

**Final Parity Regulations Published in the  
*Federal Register* November 28, 1997  
Will be effective July 1, 1998**

The regulations provide changes and clarifications to four areas in FFEL and Direct Loan Program regulations, to further implement parity between the two programs. The full text of the final regulations is available, in text or portable document format (pdf), on the World Wide Web at <http://gcs.ed.gov/fedreg.htm>

- A school may choose whether or not to certify a subsidized loan for a student who has a calculated need of \$200 or less before determining eligibility for the student's unsubsidized loan. If the school chooses not to certify a subsidized loan for \$200 or less, it must include that amount in an unsubsidized loan. (§§682.201 and 685.301)
- After 120 days, a FFEL origination fee or insurance premium, or a Direct Loan fee, is repaid only in cases in which the fee or premium is returned by the school in order to comply with the HEA or with applicable regulations. The final regulations also clarify procedures for the application of a payment by a borrower who is in repayment status and by a borrower who is not. (§§682.202(c)(5), 682.209(I)(1), 682.401(b)(10), and 685.202(c)(4))
- A consolidation loan will be discharged due to a total and permanent disability in cases in which the borrower would have qualified for the discharge on all of the consolidation loan's underlying loans. For example, a borrower who received several loans, then became totally and permanently disabled, and then consolidated the loans into a Direct Consolidation Loan will be able to receive a discharge of his or her obligation to repay the Direct Consolidation Loan. (§§682.402 and 685.212)
- During exit counseling, a school will be able to base its

calculation of the student's average anticipated monthly repayment amount upon either the student's individual indebtedness or upon the average indebtedness of students who have obtained loans for attendance at that school or in the borrower's program of study. The change will allow the same flexibility for schools in both the FFEL and Direct Loan Programs in providing exit counseling materials to students. (§§682.604(g)(2) and 685.304(b)(2)).■

## **PROCEDURES FOR IMPORTING DELINQUENT BORROWER REPORTS**

The Direct Loan Central School Services will begin sending out two new message classes to identify delinquent borrowers. Two formats are available to receive this file: one, a preformatted report format for use in EDEExpress (EDM499OP), and the other, an ASCII format for use in other systems (DBQD99OP).

You should contact Title IV Customer Service to choose how you want to receive this data. If you choose ASCII format, the record layout can be found in the Direct Loan Technical Reference Appendix, pages A-68 to A-81.

If you choose the report format, you will receive this file in message class EDM499OP and will need to set up this message class in EDEExpress in order to import the file. The procedure is as follows:

Within the 98-99 EDEExpress software, go to Tools/Setup/Global/ED Initiated Imports.

- For message class EDM499OP, type Delinquent Borrower Report in the Import Report Name field.
- After typing the report names, click OK to save changes.
- Go to File/Import/App Express. You will now have an option on your Import Type for the Delinquent Borrower Report you just created. Select the appropriate type, and import this file normally. After import, a formatted report of delinquent borrowers for your institution will be printed.

For assistance, schools should contact the CPS Direct Loan Customer Service number at (800) 330-5947, option .■

### **Expiration Date for Deferment Forms Extended**

The February 28, 1998 expiration date on Direct Loan Program deferment forms has been extended. Please let borrowers know they may continue to use these forms through August 31,

---

## NEW PUBLICATION

### **Direct PLUS Loans:**

#### **A Guide to Federal Education Loans for Parents**

Developed by the Department of Education with input from parents and financial aid administrators, a new booklet, *Direct PLUS Loans: A Guide to Federal Education Loans for Parents*, is a comprehensive guide for current and prospective Direct PLUS loan borrowers. It covers various topics including loan eligibility requirements, application procedures, loan amount determination, repayment, and information about deferment and forbearance. Also discussed are the consequences of default, loan discharge, and loan consolidation. A directory of important phone numbers and addresses, a repayment chart showing estimated monthly payments, and a quick reference to frequently asked questions are also included. This new *Guide* for parent borrowers is available from the Loan Origination Center.■

To obtain copies of the *Guide*, contact:

U. S. Department of Education  
Loan Origination Center  
P. O. Box 5692  
Montgomery, AL 36103-5692  
Phone: 800/848-0978  
Fax: 800/557-7396

### **Master Promissory Note Beginning Academic Year 1999-2000**

The Department of Education will allow student borrowers to use a new type of promissory note – the “Master Note” – for both the Direct Loan Program and the Family Federal Education Loan Program (FFELP) in Academic Year 1999-2000. The “Master Note” will allow student borrowers to sign one student loan promissory note when they begin borrowing for school and use the same note for subsequent years. This will streamline the borrowing process for students and schools. The use of the Master Note for multiple years will be restricted to certain school types initially. The Department expects to begin the clearance process for the “Master Note” in July 1998.■

#### **ABOUT OUR NEWSLETTER**

The Direct Loan Newsletter is published bi-monthly by:  
Office of Student Financial Assistance  
Direct Loan Task Force  
U.S. Department of Education  
600 Independence Avenue SW, Room 5042  
Washington, D.C. 20202-5162

Editors: Joyce Rice Saunders  
Margaret Linkous

Copies are available free of charge upon request from the Direct Loan  
Servicing Center, School Services Division,  
1 (800) 848-0978

OR the Newsletter may be downloaded from the Internet at:  
<http://www.ed.gov/DirectLoan/>

**ED/OPE 98-4**

## ON THE HORIZON